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C O N F I D E N T I A L SECTION 01 OF 03 AMMAN 005726

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TAGS: [EAID](#) [EFIN](#) [PREL](#) [ETRD](#) [JO](#) [I2](#)

SUBJECT: JORDAN'S FINANCE MINISTER ON IRAQI ASSETS
TRANSFER, DEBT ISSUES, KUWAITI AID, FUEL SUBSIDIES, AND
OTHER ISSUES

REF: AMMAN 05399

Classified By: Amb. Edward Gnehm, Jr. Reasons 1.5 (b) and (d).

11. (C) SUMMARY: Jordan's Finance Minister Abu Hammour related to the Ambassador July 5 that he expected all claims on Iraqi frozen assets to be settled by mid-July and the balance remaining transferred to Iraq. On other Iraqi issues, Abu Hammour reported that Jordan had still not heard from Iraqi finance officials regarding the \$1.3 billion Central Bank of Jordan trade claim on Iraq. He had discussed the issue during the recent visit of the Iraqi Foreign Minister, but there had been no further developments. On the border charges imposed recently (reftel), Abu Hammour said that King Abdullah had decided to exempt Oil For Food program trucks from the diesel fuel supplement charges and the truck handling fee charges. In addition, Jordan is in the process of establishing a public free zone on the border with Iraq where goods can be delivered from Aqaba and picked up by Iraqi truckers.

12. (C) On other issues, Abu Hammour had just returned from France and provided details on his discussions with both the Paris Club and the French government. He also revealed a secret agreement through which Jordan will receive cash

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equivalent to 25,000 barrels of oil/day for three years. News of the agreement, already approved by Kuwait's Council of Ministers, was leaked in Kuwait and Abu Hammour has already had to fend off Jordanian deputies seeking increased social spending. END SUMMARY.

IRAQI ASSETS

13. (C) During the Ambassador's July 5 farewell call, Jordan's Finance Minister Mohammad Abu Hammour said that he had just had a meeting the same day on the Iraqi frozen assets issue. Almost all commercial claims against those assets had been settled. Abu Hammour expected that the final meeting of the committee would be held in mid-July "to close the books." Jordan would then be able to transfer the remaining balance to Iraq. Abu Hammour said he expected that balance to be under \$50 million, probably in the \$30-\$40 million range. On the issue of the \$1.3 billion Central Bank trade protocol claim on Iraq, Abu Hammour said he had raised the issue with visiting Iraqi Foreign Minister Hoshyar Zebari in June, but there had been no subsequent contacts and no progress on the issue.

BORDER CHARGES CUT FOR O.F.F. TRUCKS; FREE ZONE
TO BE ESTABLISHED

14. (C) In response to a question from the Ambassador, Abu Hammour reported that the King had decided to lower the fees on trucks going to Iraq. In particular, Oil For Food trucks would be exempted from the 80 JD (\$112) diesel fuel supplement charges and from the 150 JD (\$210) truck handling fee charges. The OFF trucks would be exempted from "95% of the duties" and would be subject only to the 5 JD (\$7) departure tax per traveler and the 10 JD (\$14) annual passport fee on all public transportation vehicles.

15. (C) In addition, Abu Hammour stated that the government had decided to establish a public free zone on the border with Iraq. The zone would be 5,000 dunums in size (1,235 acres) and goods could be transshipped from the port at Aqaba to the zone for pick up by Iraqi truckers. (NOTE: Other government officials report that the GOJ intends a significant expansion of facilities on the Jordan-Iraq border to enable both persons and goods to transit the border more efficiently. END NOTE.)

KUWAITI OIL

16. (C) Abu Hammour confirmed breaking news of a new Kuwaiti

oil grant of 25,000 barrels of oil per day for three years. A U.S. company, Free Market Petroleum, would lift the oil from Kuwait and, since the Kuwaiti crude is not compatible with Jordan's refinery, the oil would be sold by Free Market and the proceeds passed to Jordan's Finance Ministry. Abu Hammour expected the deal to be worth \$1 billion. (NOTE: The Kuwaiti Ambassador in Jordan told the DCM a different version of the story: Kuwait would sell its crude, pass the revenue to Free Market Petroleum, which would in turn purchase crude suitable for use in Jordan's refinery. END NOTE.)

17. (C) The deal was approved by Kuwait's Council of Ministers and Jordan had been notified of the decision in a secret letter. Although intended to remain secret, news of

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the arrangement had already leaked in Kuwait's Parliament. To Abu Hammour's chagrin, several deputies of the Islamic Action Front had already approached him upon hearing the news. They asked Abu Hammour to increase social spending in a number of areas, including in government salaries and pensions. In trying to fend off the deputies, Abu Hammour explained to them his need to cover the fuel subsidies as one reason he could still not increase spending. He said revenues generated by the Saudi grants (50,000 barrels/day) just covered the fuel subsidies and the costs of health insurance coverage for children. He also reminded them that there was a long lag time between lifting the oil and Jordan receiving the proceeds from its sale. Abu Hammour said he had convinced the delegates to delay making the deal public until the next ordinary session of Parliament in the fall. (COMMENT: Since this conversation, concern over possible corruption, i.e., how these funds will be handled, has dominated public discussion--See Septel. END COMMENT)

18. (C) Abu Hammour said that he was also hopeful that a similar deal would soon be forthcoming from the UAE. He said that the Saudis had been the leader of this effort to support Jordan and that he expected the UAE would likely follow the Kuwaiti lead. His main concern at this point remained follow-through: last year the Kuwaitis had promised six months of support but had only delivered three. They still owed Jordan \$60 million under the program.

STRATEGIC PLAN TO REDUCE FUEL SUBSIDIES

19. (C) Regarding the strategic plan to eliminate all fuel subsidies within three years, Abu Hammour said that implementation of subsequent phases was still being coordinated with the Ministry of Transport. It should be complete within one to two months. He said that for the moment, the diesel subsidy was still needed. However, the new plan would change the formula based on mileage and load weight in order to better balance the subsidies for different sizes of trucks.

DEBT ISSUES

10. (C) Abu Hammour began a discussion of debt issues by noting that Jordan had just graduated from its IMF program on Friday (July 2). He mentioned that he had recently returned from Paris where he had met with officials at the Paris Club, France Telecom, and the French Development Agency. In his discussions with the Paris Club, he had noted Jordan's commitment not to go the Paris Club for debt relief in the future. However, he remains concerned about Jordan's debt situation. He is hoping for creditors to help Jordan, perhaps by allowing Jordan to raise its debt swap ceiling from 30% to 50%. While in Paris, he discussed a bilateral debt swap with the French government but finds the procedures very complicated.

11. (C) He discussed a number of possible projects with the French. He gained approval for \$2 million in funding for a project to link all Finance Ministry directorates with the Ministry's headquarters. Abu Hammour said other projects had also been approved but provided no details. He remains eager to speed up this process, implying frustration with French bureaucracy, contrasting this with his satisfaction with the cooperation he has received from USAID in Jordan.

12. (C) Abu Hammour discussed a number of other projects with creditors at the Paris Club. He explained that fluctuations in the euro had hurt Jordan's debt/GDP ratio. He hoped to be able to draw on the excess liquidity in Jordan's banking system to address the problem. He had expected the creditors to object to this plan but, to his surprise, they had instead agreed to consider it and discuss it with other creditors.

13. (C) Abu Hammour provided the Ambassador with a copy of a letter on debt issues which he sent to the President of the Paris Club as well as a Ministry paper, "Jordan--Public Debt

Reduction and Strategy to Achieve the Public Debt Law Targets." Post will fax both to NEA/ARN.

COMMENT

14. (C) Despite his concerns about Jordan's current debt/GDP ratio, Abu Hammour can bask in the current strength of Jordan's economy. He continues to succeed in holding off requests for higher government spending, both from other ministers and from Parliamentary deputies. Certainly, Jordan's graduation from its IMF program, as well as the IMF's praise of his handling of the economy, helps solidify Abu Hammour's reputation as a capable and dedicated technocrat.

15. (C) Regarding Iraqi assets, the settling of claims against the frozen assets is taking longer than originally predicted by Abu Hammour. Nevertheless, Jordan will soon transfer a substantial sum to Iraq, in addition to the \$250 million already transferred. The delay could bring benefits in that the transfer will help Jordan establish good relations with the new Iraqi government and could also help jump-start its discussions with Iraq on settling the \$1.3 billion Central Bank claim.

GNEHM